MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

DFA5034 – FINANCIAL ACCOUNTING 3

(For Diploma Students Only)

16 OCTOBER 2019
9.00 a.m. – 12 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 4 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

Mr. Shamsul, an accountant of Hebat Trading Berhad has identified the following events after he reviewed the inventory record prepared by the account clerk.

Events	Items	
	Cost of Goods Sold	Net Income
1. A physical count of goods on hand at the end of the current year resulted in some goods being counted twice.		
2. The ending inventory in the previous period was understated.		
3. Goods purchased on account in December of the current year and shipped with terms FOB shipping point were recorded as purchases, but were not included in the count of ending inventory on 31 December because the goods are in transit.		
4. Goods held on consignment for Heritage Corporation was included in the calculation of ending inventory on 31 December current year.		
5. Mr. Shamsul discovered that the ending inventory in the previous period was understated RM22,000 and that the ending inventory in the current period was overstated RM29,000.		
6. The ending inventory for current year included goods shipped via common carrier to Dynamic Company with terms FOB shipping point.		

Required

For each of the independent event listed above, analyse the impact on the indicated items at the end of the current year by identifying whether the item is *Overstated* or *Understated.* (6 marks)

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Part B

Daisy Company uses the perpetual inventory system and had the following purchases and sales during the month of September 2018.

Date	Explanation	Units	Unit Cost (RM)	Unit Price (RM)
Sept 1	Beginning inventory	155	80	
5	Purchases	120	95	
11	Purchases	80	98	
19	Sales	220		180
23	Purchases	200	105	
25	Sales	175		190

Required

(a) Prepare a schedule to show cost of goods sold and the value of ending inventory for the month of September 2018 using the:

(i) FIFO method (11 marks)

(ii) Average-Cost method (6.5 marks)

(b) Determine which method will give higher net income. Why? (1.5 marks)

[TOTAL 25 MARKS]

QUESTION 2

Part A

As at 31 December 2017, Stellarz Company's stock investment in several companies was amounted to RM550,000.

The below information is pertaining to the company's long-term stock investments in 2018:

On 1 January 2018 Stellarz Company acquired 15% of the 400,000 shares of common stock of Brilliant Company at a cost of RM6 per share. On 31 July Brilliant Company declared and paid a cash dividend of RM1.40 per share. On 31 December Brilliant's reported net income was RM845,000 for the year.

Stellarz Company also obtained significant influence over Ricardo Company by buying 40% of Ricardo's 200,000 outstanding shares of common stock at a cost of RM15 per share on 1 January 2018. On 30 June Ricardo Company declared and paid a cash dividend of RM2.20 per share. On 31 December Ricardo's reported net income was RM350,000.

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Required

(a) Prepare all the necessary journal entries for 2018 related to Stellarz's investment. *Show your workings.* (7.5 marks)

(b) Prepare the T-account for Stock Investment. (4 marks)

Part B

Binary Company purchased 125 of Gary Company 8%, 12-year, RM1,000 bonds on 1 January 2018, for RM125,000. The bonds pay interest semiannually. On 1 January 2019, after receipt of interest, Binary Company sold 50 of the bonds for RM45,500.

Required

Prepare the journal entries to record the above transactions. (7.5 marks)
Show all your workings.

Part C

Identify **THREE (3)** differences between Cost Method and Equity Method of recording share investment. (6 marks)

[TOTAL 25 MARKS]

QUESTION 3

Part A

Two chartered accountants, Aimie and Zizie have formed the A&Z Financial Consultancy, where their capital balances are RM120,000 and RM90,000 respectively, as at 1 January 2018. On 1 June 2018, Zizie invested an additional capital of RM20,000. During the year, Aimie withdrew RM45,000 and Zizie withdrew RM36,000. Service revenue for the year amounted to RM380,000 and expenses was RM210,000. Aimie and Zizie share their income and losses on a 3:2 basis.

Required

(a) Prepare the closing entries as at 31 December 2018 for the A&Z Financial Consultancy. (5 marks)

(b) Prepare a partners' capital statement for 2018. (4.5 marks)

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Part B

Myra, Dyna and Kyra are partners of MDK Boutique, who share profits and losses 60%, 20%, and 20%, respectively. The partnership was formed on 1 January 2017. Their capital balances as at 31 December 2018 were RM200,000, RM70,000, and RM70,000, respectively.

On 1 January 2019, Lyza joined the partnership by investing RM110,000 for a 20% interest with bonuses to the existing partners.

Required

(a) Prepare the journal entry to record Lyza's investment. (4.5 marks)
Shows all your workings.

(b) Assume instead that on 31 May 2019, Dyna leaves the partnership. Dyna is paid RM100,000 with a bonus to the retiring partner. Prepare the journal entry to record Dyna's withdrawal. (4 marks)
Shows all your workings.

Part C

Given below are the account balances of the Triple A Partnership, which is to be liquidated:

Accounts	RM
Cash	80,500
Non-current Assets	350,200
Liabilities	91,000
Adli, Capital	127,000
Amni, Capital	82,500
Auni, Capital	130,200

The partners, Adli, Amni and Auni's income ratio are 5:2:3 respectively.

Required

Prepare the required journal entries to record the liquidation of the partnership assuming that the non-current assets are sold for RM300,000 in cash. (7 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Part A

Fella Company is one of the famous interior designer company in Melaka. The company prepares their financial statements on quarterly basis.

Given below are the beginning balance of the company's liability accounts as of 1 March 2019:

	RM
Notes payable	117,000
Sales and service taxes payable	35,000
Unearned service revenue	48,900

During March the following selected transactions occurred:

Mar 1	Borrowed RM42,000 from Rich Bank on a 9-month, 6%, notes.
5	Provide services for cash amounted to RM23,850 which includes 6% sales and service taxes.
12	Received RM15,600 cash advance from client for services that will be provided in May 2019.
14	Paid Royal Malaysian Customs Department for sales and service taxes collected in February 2019, RM20,500.
20	Purchased equipment from Emerald Company paying RM18,000 cash and signing a 8%; 4-month, RM50,000 note.
31	Accrued interest on Rich Bank note.

Required

(a) Journalise the above transactions. (7 marks)

(b) Prepare the t-account for notes payable. (3 marks)

Part B

Presented below is Comparative Statement of Financial Position for Garena Company.

GARENA COMPANY
Comparative Statement of Financial Position

	31 Dec. 2018	31 Dec. 2017
	(RM)	(RM)
Assets:		
Cash	34,000	11,000
Accounts receivable	18,000	13,000
Inventory	25,000	17,000
Prepaid expenses	6,000	9,000
Long-term investments	-	17,000

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Equipment (net)	40,000	18,000
Total assets	123,000	85,000
Liabilities and Stockholders' Equity:		
Accounts payable	17,000	7,000
Bonds payable	36,000	45,000
Common stock	40,000	23,000
Retained earnings	30,000	10,000
Total liabilities and stockholders' equity	123,000	85,000

Required

(a) Prepare a horizontal analysis of the Statement of Financial Position data for Garena Company using 2017 as a base year. (12 marks)

(b) Ratio is one of the tools for financial statement analysis. Briefly explain the **THREE (3)** types of ratio comparisons. (3 marks)

[TOTAL 25 MARKS]

End of Paper